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E.O. 12065: GDS 3/20/85 (EAGLETON, W.) OR-M

TAGS: EAIR, MASS, LY

SUBJECT: (U) QADHAFI INTERVIEW: COMPLAINT RE C-130S

1. (U) LIBYAN NEWS AGENCY (JANA) MARCH 19 CARRIED TEXT OF QADHAFI'S INTERVIEW WITH "AFRIQUE-ASIE" MAGAZINE PUBLISHED MARCH 19 IN PARIS. THERE IS NO INDICATION OF EXACT DATE OF THE INTERVIEW. REFERENCE TO LIBYAN-AMERICAN RELATIONS FOLLOWS:

2. (U) QUOTE: TALKING OF LIBYAN ARAB-AMERICAN RELATIONS, HE SAID, 'WE HAVE GOOD RELATIONS WITH THE AMERICAN PEOPLE WHO RECEIVED OUR PEOPLE'S DELEGATION WITH EXCEEDING WARMTH. AS FOR THE AMERICAN GOVERNMENT, THIS IS ANOTHER MATTER. THE AMERICAN GOVERNMENT COULD NOT UNDERSTAND THE ARAB CAUSE. IT ALSO HAS TO TAKE INTO CONSIDERATION OF SO MANY PRESSURES AND CURRENTS OF THOUGHT WHICH HAVE RENDERED IT INCAPABLE OF MOVING IN THE RIGHT DIRECTION.' THE REVOLUTION'S LEADER GAVE AN EXAMPLE OF HIS VIEWS BY POINTING TO THE AMERICAN GOVERNMENT'S MOVE OF BLOCKING THE 'BOEING' (LOCKHEED C-130) AIRPLANES WHICH HAD BEEN PAID FOR BY THE JAMAHIRIYAH SOME YEARS AGO. HE SAID, 'THE AMERICAN GOVERNMENT HAS NOT ONLY REFUSED TO SEND THESE PLANES, THEY HAVE ALSO REFUSED TO REFUND OUR PAYMENTS FOR THE AIRCRAFT.... IS THIS AN ACT TO BE COMMITTED BY A GREAT POWER OR IS IT HIGHWAY ROBBERY,

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I ASK YOU?' HE ADDED, 'THE AMERICAN GOVERNMENT SHOULD SEND US THE PLANES WHICH WE PURCHASED OR RETURN OUR MONEY, PLUS THE INTEREST IT HAS ACCUMULATED.' END QUOTE.

3. (C) QADHAFI'S COMMENTS RE LIBYAN-US RELATIONS ARE RELATIVELY POSITIVE AND CONSISTENT WITH RECENT INDICATIONS OF LIBYAN DESIRE FOR AN IMPROVEMENT. HIS COMPLAINT ABOUT C-130S SEEMS TO BE IDENTICAL TO REMARKS HE MADE TO JACK ANDERSON FEB 27. AS ANDERSON TOLD US, QADHAFI SAID FAILURE OF AMERICAN GOVERNMENT TO SEND PLANES OR RETURN MONEY WAS HIGHWAY ROBBERY. ANDERSON (HAVING BEEN BRIEFED BY US) REMINDED QADHAFI THAT PLANES COULD BE SOLD AND MONEY RETRIEVED. QADHAFI THEN REPLIED, "YES, BUT WE LOSE THE INTEREST."

4. (C) IT HAS NOT PREVIOUSLY BEEN OUR IMPRESSION THAT QADHAFI WOULD SETTLE THE LONGSTANDING DISPUTE OVER THE EIGHT LIBYAN C-130S THROUGH A REFUND, WITH OR WITHOUT INTEREST. HOWEVER, HIS "AFRIQUE-ASIE" INTERVIEW SEEMS TO SAY QUITE EXPLICITLY THAT THE U.S. SHOULD EITHER SEND THE PLANES OR RETURN THE MONEY PLUS INTEREST. AS FAR AS WE KNOW, NO INTEREST HAS ACCUMULATED, SINCE THE FULL PURCHASE PRICE PAID BY THE LIBYANS IN 1973 HAS PRESUMABLY BEEN SPENT BY THE LOCKHEED COMPANY RATHER THAN KEPT IN A SPECIAL ACCOUNT. (DEPT WOULD HAVE FACTS RE THIS QUESTION.) HOWEVER, IT IS LIKELY THAT THE INFLATIONARY RISE IN VALUE OF THE EIGHT PLANES WOULD PERMIT THEIR BEING SOLD NOW AT A PRICE THAT WOULD PERMIT RETURNING TO LIBYA THE ORIGINAL PURCHASE PRICE PLUS A SUM THAT WOULD BE COMPARABLE TO PREVAILING INTEREST RATES FOR THE PAST SIX YEARS.

5. (C) IF THIS IS THE CASE, WE SUGGEST THAT THE DEPT CONSIDER INSTRUCTING US TO PROPOSE TO THE LIBYAN GOVT, PERHAPS BY DIPLOMATIC NOTE DELIVERED TO THE FONMINISTRY HERE, THAT IN RESPONSE TO COLONEL QADHAFI'S SUGGESTION OF A RETURN OF MONEY PLUS INTEREST THE USG WOULD BE PREPARED TO HELP FACILITATE THE SALE OF THE EIGHT C-130S FOR A TOTAL OF APPROXIMATELY X DOLLARS, WHICH WOULD BE EQUIVALENT TO THE PURCHASE PRICE PLUS INTEREST AT X PERCENT PER ANNUM.

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6. (C) WE RECOGNIZE THAT THIS SUGGESTION MAY BE MORE A
PLOY THAN A PRACTICAL MEANS OF SETTLING THE C-130 DISPUTE.
IT SHOULD, HOWEVER, PERMIT US TO LAY TO REST QADHAFI'S
"HIGHWAY ROBBERY" ACCUSATION, AND IT MIGHT POSSIBLY
GENERATE SOME CONSIDERATION HERE OF A FINANCIAL SETTLEMENT
IN LIEU OF DELIVERY OF THE PLANES, PARTICULARLY AS LIBYA'S
NEED FOR C-130S IS REDUCED WITH THE DELIVERY OF SOVIET AND
ITALIAN-MADE MILITARY TRANSPORT AIRCRAFT.
EAGLETON

END OF MESSAGE

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